

## RUBBER PRODUCTION

*Exchange of notes at Caracas October 13, 1942*

*Entered into force October 13, 1942*

*Amended by agreement of September 27, 1944,<sup>1</sup> as extended*

*Extended by agreements of October 11, 1943;<sup>2</sup> October 13, 1944;<sup>3</sup> and  
October 13, 1945<sup>4</sup>*

*Expired October 12, 1946*

58 Stat. 1572; Executive Agreement Series 446

*The Minister of Foreign Affairs to the American Ambassador*

[TRANSLATION]

UNITED STATES OF VENEZUELA  
MINISTRY OF FOREIGN AFFAIRS  
Office of the Director of  
Economic Policy

No. 8190-E  
Economic Section

CARACAS, October 13, 1942

MR. AMBASSADOR:

Authorized by my Government I have the honor to record in this note that, as a result of the conversations between Your Excellency and the undersigned, it has been agreed between the Government of the United States of Venezuela and the Government of the United States of America that:

*First:* The Government of the United States of America, by means of its dependency the Rubber Reserve Company, which hereafter will be called Reserve, agrees in establishing or having established in Venezuela an Agency which henceforth will be called Agency, which will be authorized to co-operate in the development of rubber production in Venezuela, as well as to acquire in the Territory of the Republic all grades of rubber which are produced in Venezuela and rubber products manufactured from national raw material, as long as the rubber produced or the products manufactured

<sup>1</sup> EAS 446, *post*, p. 1186.

<sup>2</sup> 58 Stat. 1581; EAS 446.

<sup>3</sup> 58 Stat. 1582; EAS 446.

<sup>4</sup> Not printed.

with the latter are not essential to the internal needs of the country, in accordance with the stipulations in the present *modus vivendi*. To such an end, the Government of the United States of Venezuela agrees that the Agency will enjoy all the facilities required in the due fulfillment of its functions.

*Second:* The Government of the United States of Venezuela, taking into consideration that the rubber exported through Reserve will go entirely to the United States of America, a country in need of great quantities of the said product for the purposes of Hemispheric defense, agrees to grant the Agency the exclusive right to export, once the requirements of internal national consumption are met, the rubber that is produced in Venezuela and the manufactured rubber existent in the Republic. To this end and in conformity with the dispositions of Article 2 of the Presidential Decree No. 235 dated October 9, 1942, the Federal Executive, through the appropriate Ministry will designate Reserve as the entity which will have the exclusive right to the exportation of rubber. The Government of the United States of Venezuela also binds itself to take adequate measures towards the conservation of rubber so that it may be destined to essential uses of Hemispheric defense or uses indispensable to the maintenance and upkeep of transportation within the country. Furthermore, the Government of the United States of Venezuela will take the necessary measures to prevent the hoarding of rubber or its products.

*Third:* The Government of the United States of America binds itself to have the Reserve Agency buy and, on its part, the Government of the United States of Venezuela binds itself to sell and to cause to be sold to the Agency all the rubber and all the rubber products available in the Territory of the Republic and which are not needed for the use or internal consumption of Venezuela. To this end and in agreement with the stipulations of Article 3 of the aforementioned Executive Decree No. 235 dated October 9, 1942, the Federal Executive, by means of the respective Ministry, will designate the Agency as the entity exclusively authorized to buy the rubber not necessary for internal consumption. The essential needs of Venezuela, as regards raw rubber and reclaimed rubber, including the rubber contained in rubber products, is fixed by the present agreement at a maximum of eight hundred tons annually of washed and dried rubber or its equivalent; but the High Contracting Parties have agreed that this amount may be increased by mutual agreement when it is demonstrated that a larger amount is needed to satisfy the country's requirements.

*Fourth:* The Government of the United States of America and the Government of the United States of Venezuela agree that the purchases of rubber products made by the Reserve Agency, in accordance with the stipulations of this agreement, will be made at the net market prices which were in effect on the first of June, 1942, in the territory of Venezuela. Nevertheless, those prices may be increased through agreements between both Parties in order to make the necessary adjustments to the increase in the price of raw rubber

or of any other material which is required in the manufacture of the products.

*Fifth:* The Government of the United States of America and the Government of the United States of Venezuela agree that the basic price per pound (Kgs. 0.4536) which will be paid by the Reserve Agency in the rubber purchases which it may make in accordance with this agreement for export will be forty-five (45) cents United States Currency, in the Venezuelan ports of Ciudad Bolívar or Caripito, or any other port which may be chosen by mutual agreement, for the equivalent of the quality "Upriver Acre Fine", (washed and dried), and of thirty-three (33) cents, also United States Currency, per pound (Kgs. 0.4536) for the good common quality Castilloa "Scrap", as it is known in New York, with the corresponding differences in the prices for the other types and qualities. It is understood that the basic price, together with the aforementioned differences, will be called "the fixed price". The prices which the Agency will pay in the purchases it makes in other points of the interior of Venezuela will be constituted by "the fixed price", less the cost of transportation expenses from the point where the purchase is made to the aforementioned ports of Ciudad Bolívar and Caripito. It is agreed that the Government of the United States of Venezuela will cause to be established the fixed price for all sales of rubber for domestic consumption or use within the country. The Parties agree that the fixed basic price may be modified or adjusted during the time this agreement is in effect, in order to adapt it to the new conditions or circumstances which may arise. Reserve will pay, also, besides the indicated prices, premiums for its rubber purchases in Venezuela. The said premiums will be paid to the Government of the United States of Venezuela thus: two and one-half ( $2\frac{1}{2}$ ) cents, United States Currency, per pound (Kgs. 0.4536) on all the rubber bought which exceeds three hundred tons and does not exceed seven hundred tons in any one year that this agreement is in effect, and five (5) cents, United States Currency, per pound (Kgs. 0.4536) on all rubber bought which exceeds seven hundred tons during any one year that this agreement is in effect. The sum total of these premiums will be paid by Reserve at the National Treasury of Venezuela, through the payment of the corresponding vouchers by the appropriate agency, as the rubber is exported and on each amount exported. On its part, the Government of the United States of Venezuela binds itself to expend an equal amount to the value of the bonuses paid by the Reserve Agency in the immediate development of production and in the betterment of the quality of wild rubber existing in the Territory of the Republic, to which end Reserve may make the adequate suggestions. It has been agreed that Reserve will be able to charge the total of the bonuses to the unexpended balance of the Development Fund which is mentioned in the next clause.

*Sixth:* The Government of the United States of America, by means of Reserve, agrees to establish a Development Fund, of up to five hundred thousand dollars (\$500,000.—) which Reserve will spend, in accord with the Government of the United States of Venezuela and in the amounts which may be

considered requisite or necessary to the purposes of this agreement, in the development and increase of rubber production, as well as in the improvement of the quality of the same existing in Venezuela, in the improvement of the methods employed in its production, in the stimulating of conditions for maximum production and in permanent works and transportation vehicles, so long as they tend to obtain rubber production on a large scale. The Agency may, as long as there are unexpended funds, utilize part of the same in advancing supplies to the rubber workers, it being understood that once these supplies are paid for, the corresponding sums will be credited to the fund to be employed for the purposes already stated. When special circumstances may so advise it, the Agency may utilize also part of these funds in the payment of special premiums to producers when they are considered conducive to the production of rubber on a large scale. The Government of the United States of Venezuela, in accord with the Agency, will appoint a consultant, paid by the same Government, whose functions will consist in indicating to the said Agency the most adequate procedures to secure a maximum yield in rubber production in Venezuela.

*Seventh:* In order to obtain maximum rubber production, the Government of the United States of Venezuela agrees to take adequate measures which tend to assure an equitable participation in the prices paid by the Agency to all the classes of persons who participate in rubber producing operations and to assure, furthermore, that the prices that the said workers pay for the articles which they need for their use and consumption be fair and equitable. To attain this end, the Government of the United States of Venezuela will fix the wages of the workers as well as the prices that the latter will have to pay in their turn for the articles of use and consumption which they may need. The Government of the United States of Venezuela will take steps that the prices fixed by it will be published in all the localities of the producing regions. Reserve will cooperate amply with the Government of the United States of Venezuela in order to attain the objectives already set forth and will consult the Ministry of Labor and Communications of Venezuela for the attainment of said ends. Reserve will also employ any other means which may tend to the improvement of the economic status of the workers in the production of rubber.

*Eighth:* The parties have agreed that the amounts that the Reserve Agency expends on account of the Development Fund in the development of the rubber production, as well as in permanent works, such as roads, docks, living quarters, depots, etc., will remain, at the expiration of this *modus vivendi*, for the benefit of the Venezuelan nation, for which the latter will not be obliged to pay any indemnity whatsoever. Nor does the Government of the United States of Venezuela assume any obligation with respect to the sums which the Reserve Agency may expend in advances to rubber workers or in premiums to the same, as well as in the improvement of the production

methods or betterment of the quality of the rubber. It is also agreed that the movable objects that the Reserve Agency may supply to the centers of production, such as vehicles, boats, machinery, working implements and other such objects, will remain the exclusive property of Reserve and the Agency may reexport them or sell them in the country for its own account.

*Ninth:* In view of the national interest which the present *modus vivendi* represents in the development of rubber production in Venezuela, the Government of the United States of Venezuela agrees to exonerate from import duties all machinery, tools, vehicles, boats, construction materials for works and buildings and other implements which the Reserve Agency may import for the exclusive use of rubber exploitation operations and the development and improvement of its cultivation in Venezuela.

This note and Your Excellency's reply will constitute a *modus vivendi* effective for one year and may be extended by a simple statement of willingness on the part of the Government of the United States of Venezuela, at each annual opportunity, until the thirty-first of December, nineteen hundred and forty-six. Nevertheless, it is understood that, if in view of the constitutional provisions, the Government of the United States of Venezuela reestablishes at any date the guarantees restricted by the aforementioned Executive Decree of October 9, 1942, in such an event the present *modus vivendi* shall be considered legally terminated.

I avail myself of the opportunity to renew to Your Excellency the assurances of my highest and most distinguished consideration.

C. PARRA PÉREZ

His Excellency

FRANK P. CORRIGAN,

*Ambassador Extraordinary and Plenipotentiary  
of the United States of America,  
City.*

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*The American Ambassador to the Minister of Foreign Affairs*

EMBASSY OF THE  
UNITED STATES OF AMERICA  
CARACAS, October 13, 1942

No. 1069

EXCELLENCY:

I have the honor to acknowledge the receipt of Your Excellency's note of today's date and, authorized by my Government, to record in this note that as a result of the conversations between Your Excellency and the undersigned,

it has been agreed between the Government of the United States of America and the Government of the United States of Venezuela that:

[For terms of agreement, see numbered paragraphs in Venezuelan note, above.]

Your Excellency's note under reference and this note will constitute a *modus vivendi* effective for one year and may be extended by a simple statement of willingness on the part of the Government of the United States of Venezuela, at each annual opportunity, until the thirty-first of December, nineteen hundred and forty-six. Nevertheless, it is understood that, if in view of the constitutional provisions, the Government of the United States of Venezuela re-establishes at any date the guarantees restricted by the aforementioned Executive Decree of October 9, 1942, in such an event the present *modus vivendi* shall be considered legally terminated.

Please accept, Excellency, the renewed assurances of my highest consideration.

FRANK P. CORRIGAN

His Excellency

Dr. CARACCILO PARRA PÉREZ,  
*Minister for Foreign Affairs,*  
*Caracas.*